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THE UNITED STATES STEEL CORPORATION AND LABOR

BY JOHN A. FITCH,
"The Survey," New York.

A discussion of the subject "Industrial Combinations and the Wage Earner" with reference to the steel industry, may well take the form of an answer to the inquiry, "Has the formation of the United States Steel Corporation proven a good thing for labor or the reverse?"

The reasons for choosing the United States Steel Corporation are both logical and obvious, I believe. It is the greatest combination in the industry; it has more money to spend on improvements than any other, and so furnishes the most favorable basis for judgment as to the effect of such combinations; and it employs over 200,000 workmen, while its largest competitor employs less than 20,000.

It may be well first to consider briefly who the steel workers are. Not over twenty per cent of the employees in blast furnaces and rolling mills can be regarded as highly skilled. Twenty to twenty-five per cent more may be termed semi-skilled, and the remaining fifty-five to sixty per cent are unskilled laborers. Roughly, the gradations in skill correspond to gradations in nationality. You will not find an Anglo-Saxon among the unskilled; you will hardly find one in ten who is American born. Sixty per cent of them are unnaturalized and a third are unable to speak the English language. The semi-skilled group is made up of both native and foreign born workmen, while of the skilled men sixty per cent are native born Americans.

Within the last twenty-five years the same changes have taken place with respect to nationalities in the steel industry that appear to have occurred in other industries utilizing common labor. Twenty-five years ago, and even more, thirty years ago, unskilled labor positions in the steel industry were filled by Irish immigrants. To-day, the Irish employees that remain are foremen, and the common labor work is done by representatives of the races of southern and southeastern Europe. But even more than ordinarily this shift has taken place in the steel industry, owing to the fact that it is coming to be more and more an industry of machinery and of unskilled men.

There has been great expansion in this industry, and the absolute number of skilled men is much larger than it was even fifteen years ago, but the proportion of skilled men to the whole number employed is much less than in former years and the tendency is for it to become still less as time goes on. Therefore the steel industry has had a great demand in the past for the raw South European immigrants and there is every reason to believe that that demand will be larger as time goes on.

This tendency has more than one result. I have pointed out that to-day sixty per cent of the skilled men are native born Americans. They are also largely of English, Welsh, German and Scandinavian descent. The skilled man of the future will have to be recruited more and more from the later immigration, for they alone are serving the necessary apprenticeship.

Turning now to the discussion of labor conditions, employees in sheet and tin mills work in three shifts of eight hours each. Except for a negligible fraction of one per cent in other mills, the sheet and tin workers are the only ones who have an eight-hour day. Yard laborers in all the mills have a ten-hour day and so do shop men, that is, molders, pattern-makers, machinists, blacksmiths, etc. Tube-mill workers and those engaged in fabricating structural and bridge material have a ten-hour day. In the actual manufacturing processes, however, blast-furnaces, open-hearth and Bessemer departments, and in the rolling of rails, beams and plates, the regular working day is twelve hours. To give some idea of the numbers, the Federal census of 1910 shows that there were 277,913 employees in blast-furnaces, steel works and rolling mills in the whole country in 1909. Fully half of these were twelve-hour men, for about fifty per cent of all employees engaged in manufacturing processes have a twelve-hour day.

Since the beginning of the industry in this country, blast-furnaces have regularly, and open-hearth furnaces have often, been operated seven days a week. To the long working day in these departments, then, there has been added a long working week. This has led further to the introduction of the so-called "long turn." The custom is for the two crews to change about each week, that is, the day crew of one week becomes the night crew of the next, and vice versa. This can be accomplished in only one of two ways. The Saturday night crew may work until Sunday noon and then be relieved by the

day crew, who remain on duty until Monday morning at 6, when the other crew comes back on duty again. That makes an eighteen-hour period for each crew. The more general custom, however, is for the crew that goes to work Sunday morning to remain on duty a full twenty-four hours.

These were the hours of labor that were general in the industry when the United States Steel Corporation was formed. It did not modify them in any material way until 1911. In that year a plan was adopted for allowing one day of rest in seven for each man in the continuous processes. The plan was to increase the force by one-sixth, and to grant one day of rest each week to the members of the crew by rotation through the week. This plan, I am informed, is now being put into operation in the plants of the Steel Corporation. A similar plan is being adopted by some of the independent companies, though not by all.

On the other hand, no change has been made in the daily hours of labor and to-day, as before, fifty per cent or more of the employees of the Steel Corporation in manufacturing processes are working twelve hours per day.

It is difficult to make a statement regarding wages, because the wage schedule of a steel mill is a very complex affair. In 1907 I was given wage figures from the pay rolls of a Steel Corporation mill in the Pittsburgh district. The figures included all of the men in five departments of a steel mill, including every necessary step in the process of turning pig iron into a finished steel product. There were 2,304 men included, and they were grouped according to earnings as follows: 125, or approximately five per cent, received over \$5 a day; 524, or twenty-three per cent, received between \$2.50 and \$5.00,¹ and 1,655, or seventy-two per cent, received \$2.50 a day or less.

In May, 1910, a general wage increase was announced by the Steel Corporation, which was described as averaging six per cent. This must be taken into account in considering these figures. This increase, so far as common labor is concerned, amounted to one cent an hour. The rate in 1908 was 16½ cents an hour in the Pittsburgh district, and it is now 17½ cents. This is the highest rate paid by the Steel Corporation. In its Chicago mills the rate is 17 cents, and

¹Of these 187 received \$2.51 to \$3.00; 258 received \$3.01 to \$4.00, and 79 received \$4.01 to \$5.00 a day. Fitch, *The Steel Workers*, p. 163.

in its Birmingham, Alabama, mills it is 13 to 14 cents. Since unskilled labor represents nearly two-thirds of all the employees in the industry, the earnings of unskilled labor become of more than ordinary importance. In 1892 the common labor rate at Homestead was 14 cents an hour. The raise to $17\frac{1}{2}$ cents as at present is a twenty-five per cent advance. That is somewhere near the rate of the advance in the cost of living, if we are to base our comparison on the Federal Bureau of Labor figures for the wholesale prices of necessities.

But, having given the amount a man earns in an hour, it is the number of hours in a day and the number of days in a year that he works that determines his ability to maintain a proper standard of living. Professor Chapin, in his study made for the Russell Sage Foundation, decided that such a standard could not be maintained in New York City by a family of five persons on an annual income of less than \$800, and that there is no assurance that it can be maintained on an income below \$900. No unskilled steel worker in America can earn even \$800 a year on the rate that is being paid to-day.

Steel workers, to be sure, do not have to live in New York City, but more of them live in Pittsburgh than in any other city of the United States. According to a study made for the English Board of Trade, in 1909, just after the Chapin investigation, on the cost of living in American towns, the average cost of house rents and food in Pittsburgh was found to be the same as that of New York City. But instead of achieving an annual income of \$800 or over, an unskilled workman in the Steel Corporation mills in Pittsburgh, will get exactly \$766.50 if he works 12 hours a day, 7 days a week and 365 days in a year. And the Steel Corporation in general pays higher wages than do its competitors.

I now come to what I shall call the ameliorative efforts of the Steel Corporation—the things regarded by the Corporation as done on the credit side of the account.

First in this list I shall place the campaign for safety. Steel mills are essentially dangerous places in which to work, not only on account of the vast tonnage of metal that is handled in a molten state, but on account of the great amount of complex machinery. The steel industry has an unenviable record of accidents to workmen. In 1907 several subsidiary companies of the United States Steel Corporation decided to adopt better methods of accident prevention. This new move contemplated two important and necessary lines of

activity—installation of safety devices and the inculcation of habits of caution. The plan adopted by the Illinois Steel Company is the one with which I am most familiar. There is in each plant a permanent safety committee of foremen, and there are temporary committees of workmen. The workmen's committees are changed often, and so the interest of many different men is enlisted in the safety campaign. Both sets of committees inspect the plant for safety and meet together to discuss methods of accident prevention. Acting as chairman of these committees there is in each plant a safety engineer whose whole time is taken up with accident prevention. The safety engineer and the assistant general superintendent from each plant constitute a general safety committee of which the attorney of the company is chairman. They meet every two weeks in the general offices of the company for a general discussion of safety matters. Most of the other subsidiary companies have adopted similar measures and there is now a general safety committee for the whole Corporation with headquarters in New York, of which Mr. C. L. Close, formerly head safety man for the National Tube Company, is chairman. This plan, where it has been thoroughly worked out, as in the Illinois Steel Company, the National Tube Company, and the American Steel and Wire Company, has proved a remarkable success. A disinterested observer, who was qualified to judge, has made the statement to me that the South Chicago plant of the Illinois Steel Company is the safest steel plant in the world.

The hospital service of the Steel Corporation is now generally good. The developments of the last three years in this respect have been such as to bring the equipment well within the needs of the plants with which I am familiar. The Carnegie Steel Company especially has made progress along this line, and the new hospital at Gary, designed to serve all the Corporation subsidiaries that are congregated there, is undoubtedly one of the finest hospitals in the United States. Contrary to the custom in many other companies, the men are not required to contribute to the support of the hospitals.

In April, 1910, the Steel Corporation adopted a plan of accident relief. I will quote from the announcement made at that time from Steel Corporation headquarters, in which the plan was summarized:

"Under this plan, relief will be paid for temporary disablement, for permanent injuries, and for death. The relief is greater for married men than for single men, and increases according to the

number of children and the length of service. During temporary disablement single men receive thirty-five per cent of their wages, and married men fifty per cent with an additional five per cent for each child under sixteen and two per cent for each year of service above five years. Following the provisions of all foreign laws and all legislation suggested in this country, there is a period of ten days before payment of relief begins. For permanent injuries, lump sum payments are provided. This is based upon the extent to which each injury interferes with employment, and on the annual earnings of the men injured. In case men are killed in work accidents, their widows and children will receive one and a half years' wages, with an additional ten per cent for each child under sixteen years of age and three per cent for each year of service of the deceased above five years."

This move was made before any compensation legislation had been passed in any state where the Steel Corporation plants are located.

When Andrew Carnegie left the steel business, with the formation of the Steel Corporation in 1901, he established a fund of four million dollars, the income from which was to be used to pension superannuated employees of the Carnegie Steel Company. The American Steel and Wire Company had a pension plan in operation when it became a part of the Corporation. In none of the other subsidiary companies, however, were pension systems in operation. In 1910 it was announced that these funds had been consolidated and the capital was to be increased by the Corporation to twelve million dollars, the income from it to be used to pension superannuated or disabled employees of the Steel Corporation. Since January 1, 1911, pensions have been available under the rules to all employees of the Corporation. In the first year of operation \$281,457 were paid in pensions to 1,717 retired employees.

Older than any of these measures is the so-called profit-sharing plan. This was established in 1903. Employees are given an opportunity to purchase stock in the Corporation at a rate usually below prevailing market quotations. A definite amount of stock is offered each year to employees. The number of shares that any employee may subscribe for is dependent on the amount of his annual income. The lowest class includes all who receive less than a certain fixed amount, which is well above the common labor rate. Those in this

class may subscribe for one share of stock. There are several classes above this class, in which the proportion allotted is progressively increased. Having subscribed for stock, an employee is allowed three years, if he wishes, in which to pay for it, in monthly installments.

Each year for the first five years, \$5.00 per year may be paid as a bonus on each share of stock in addition to the dividend. If an employee leaves the employ of the company for any reason, or if he be unable to complete his payments on the stock, the bonus lapses. It is nevertheless set aside in a fund, and at the end of the five years this fund is divided among the employees then owning stock subscribed for at the beginning of the period, according to the number of shares held. This extra bonus has sometimes amounted to a substantial sum.

I must now refer more particularly to the relations existing between employer and employee.

Going back to the period prior to the formation of the Steel Corporation, we find that in the Pittsburgh district there was a considerable amount of unionism in the steel industry. It is a mistake, however, to assume that the steel industry was ever thoroughly organized. Only one large steel mill of the Pittsburgh district was ever organized to such an extent as to have its influence felt in every department of mill work. Homestead from 1889 to 1892 was so organized that the union influence was felt throughout; although only a comparatively small proportion of the employees in that mill really belonged to the union.

The Carnegie Steel Company had eliminated unionism from its plants in 1892, and of the large plants rolling rails and structural material, the Illinois Steel Company was the only one which came into the corporation in 1901 with union labor.

There was a strike in 1901 soon after the formation of the Steel Corporation, in which the Illinois Steel Company plants became non-union, and the union also suffered the loss of some of the sheet and tin plants. The Amalgamated Association of Iron, Steel and Tin Workers became then a factor in the sheet and tin plants alone.

During the strike of 1901 the executive committee of the Steel Corporation adopted a resolution in opposition to organized labor and declaring that it would not permit the extension of it. After this it apparently adopted a policy looking to the extermination of organized labor. As a result, union labor has now been eliminated

from all of its properties, with the possible exception of its railroads. It has fought The Industrial Workers of the World in its ore mines, the United Mine Workers in the coal mines, the Lake Seamen's Union on the Great Lakes, the Amalgamated Association in its sheet and tin plants, and all the other craft unions which have at different times been a factor, in its shops, and it has won all of its fights.

The present attitude of the Steel Corporation is one of absolute opposition to collective bargaining of any sort. And it has adopted a number of plans that are calculated to prevent an outbreak of organization on the part of its employees.

The pension plan, although a desirable thing in itself, has the effect of keeping men silent who might wish to protest against existing conditions. In order to enjoy its benefits, the men must have served twenty years continuously in the employ of the corporation or of one of its subsidiaries. This effectively prevents any stoppage of work as a protest against anything considered unjust by the workmen, if they would keep their record such as to enable them to draw the pension in old age. The pension rules also specifically set forth the obvious truth that the Corporation does not give up its right to discharge its employees. There is nothing in it to protect a man excepting his subservience to his superior officers, and the nearer he approaches toward twenty years of continuous service, the greater his subservience may conceivably be—for he might be discharged at the end of nineteen years and eleven months and his right to the pension would be forfeited.

The so-called profit-sharing plan also has features designed to keep the employee from standing out vigorously in defense of what he may consider his rights. The rules plainly state that the yearly \$5 bonus for each share of stock, and the additional bonus at the end of each five-year period, are to go, not as a matter of right to each employee who holds stock, but only to those whom the executive officials may consider loyal.

Under these two systems, then, a man will utterly fail of securing the benefits offered if he is offensive to the administrative officials. He may take his choice between exercising his right to register his objections to working conditions or to the labor contract and run the risk of losing his right to the benefits offered, or he may withhold his protests, if he has any, and establish his reputation for loyalty by keeping silent.

That his risk of losing his share in the benefits is a real one is indicated clearly by the attitude of the Corporation toward employees who have at different times made an attempt at collective protest. I have been assured by the executive officials of several of the subsidiary companies of the Steel Corporation that any attempt at the establishment of labor organizations among their employees would be met by the discharge of the men responsible for the movement. The attitude of the companies toward unionism since 1901 has been clearly such as to indicate that this policy has been carried out.

The effect of this attitude of the Corporation tends, in a great many instances, to outweigh anything that it may do in the direction of providing better labor conditions. It is generally true that the employees of the Corporation resent this attitude on the part of their employers, whether they are anxious to go into a union movement or not. They feel that it is a curtailment of their rights and the consequent tendency is to engender a feeling of bitterness.

It may be that if the Corporation goes consistently on with its efforts toward amelioration that it will for a long time be able to maintain peace and a certain degree of contentment in the industry, but a large degree of contentment will certainly not be secured until the Corporation pays higher wages to its unskilled laborers and shortens the working day. Even then contentment will not be widespread or permanent; but with the low wages paid at present and with the long hours, unrest is growing in spite of anything the Steel Corporation has done; and it will continue to grow.

I have indicated, as clearly as I could in the space at my disposal, the policies of the Steel Corporation both good and bad. The effect of such a large aggregation of capital engaged in a single industry, has been, it is very apparent to me, to make it possible for a large amount of money to be spent for improving plant conditions. No competitor of the Steel Corporation has brought about plant conditions as good as those of the United States Steel Corporation. I see no reason for assuming, however, that similar ends cannot be accomplished by smaller companies working together under a voluntary agreement. A workmen's compensation fund could be so established with as great economy, and so could a pension fund, and the latter could be so drawn under such an arrangement as to serve the interests of the workingmen better than does the present Steel Corporation plan. That such a co-operation among companies is

feasible is shown by the proposed compensation and pension fund of the United States Brewers Association, an association of independent brewers.

On the other hand, the formation of the Steel Corporation has not led to an alteration in labor conditions—meaning by labor conditions those things that usually enter into the labor contract—beyond the recent movement for a six-day week. This is of especial importance in view of the enormous power over labor that was secured by the forming of the corporation. In my opinion this is a power so great as to require restrictions and checks in order to safeguard the interests of both the wage earners and the public.

Unionism is a very faulty and often a dangerous form of organization, and though unrestricted unionism is no more dangerous to fundamental rights than unrestricted capital, yet it does not offer any final solution of the problems of labor. But we have so far worked out no better method of establishing justice in industrial matters than leaving it to the bargaining strength of the two parties to the contract. The Steel Corporation, by consciously depriving its employees of their bargaining strength has wrecked this machinery of justice, and nothing has so far been provided to take its place.

My answer, then, to the question, "Has the formation of the Steel Corporation been a good thing for labor?" must be in the negative. Improved plant conditions are not an offset to the loss of individual liberty that has been suffered by the workmen. It is not alone that the corporation is a big one that makes it dangerous, nor is it that its officials do not mean to do well by labor; the evil consists rather in the unrestricted power over large groups of workmen, that lies in the hands of a few men. I do not believe that any small group of men are wise enough, acting solely on their own initiative, to deal with absolute justice with 200,000 men. Without some power representing the workmen, acting as a check on this great power of the Corporation, there can be no real democracy in the steel mill communities.